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## BUDGET MAKING IN CLEVELAND

BY MAYO FESLER,

Secretary of the Civic League of Cleveland.

In the city charter of Cleveland adopted in 1912, all financial administration is consolidated in one department. Under the director of finance are brought together the formerly separate and independent departments of auditor, treasurer, assessments and purchases. He is given authority to prescribe the methods of keeping accounts in all departments and controls the form of financial reports to be rendered by each. He appoints all bookkeepers and other employees charged with keeping books of account in all departments. He is made responsible for the proper custody of public moneys and is required to see that all expenditures are kept within the appropriation. He prepares the blanks on which the heads of the several departments submit to the Mayor their detailed requests of each year's expenses.

### *The Mayor's Estimate*

While the charter requires the Mayor to prepare and submit to the council the mayor's estimate covering the estimated expenses of all departments and divisions of the city government for the year, in practice the director of finance prepares this estimate. There are, of course, frequent conferences with the Mayor and heads of departments, but the estimate is essentially the work of the director of finance.

The mayor's estimate, according to the charter, must contain:

- (a) An itemized estimate of the expenses of conducting each department.
- (b) Comparison of such estimate with the corresponding items of expenditure of the last two years.
- (c) Reasons for all proposed increases or decreases.
- (d) A separate schedule showing the things which each department must do during the year and things which it would be desirable to do if possible.
- (e) Items of pay roll increase as either additional pay to present employees, or pay for more employees.
- (f) A statement from the director of finance of the total probable income of the city from all sources.

(g) The amount required to meet the interest on city debt and for sinking fund purposes.

(h) The total amount of outstanding debt with a schedule of maturity of bond issues.

This estimate must go to the council by the middle of November. The council is then required by the charter to prepare "at once" the appropriation ordinance based upon the mayor's estimates. This ordinance is printed for general distribution and public hearings must be held. These hearings may be before the regular appropriations committee or before the council sitting as a committee of the whole. The report of the committee which is in effect the second reading of the ordinance, must be printed in the city record with a separate schedule setting forth the items asked for in the mayor's estimate and refused or changed by the council, and the reasons for each such refusal or change. The council is prohibited from passing the ordinance until fifteen days after its publication or before the first Monday in January.

Under the charter, the council has full power to increase, decrease, reapportion or reject items in the mayor's estimate. There is nothing in the charter which compels them to follow closely the mayor's estimate. The only specific limitation on the council in this respect is that in the preparation of the appropriation ordinance, the council shall "use the mayor's estimate as a basis." The council can depart as far as they please from these estimates and recommendations, both in items and amounts.

It will be seen that, in the main, the charter provisions prescribe a well devised plan for modern budget procedure. It enables the mayor of the city to get before the council a clear and concise statement of the year's transactions; a complete and accurate statement of the present financial condition of the city, and a definite and orderly outline of the work to be undertaken during the next fiscal year. It enables him also to present to the public an understandable picture of the city's problems and activities. As a plan of budget procedure, it is fairly complete. The question is: How is the plan working in actual practice?

In answering this question, it is necessary to keep in mind one of the broad general principles established in the Cleveland charter. The charter attempts to make a clear cut division between legislative and administrative functions. Upon the council, of course, is

conferred all legislative powers; but it is strictly limited to legislative duties and is specifically prohibited from interfering with the administrative departments in any way, especially in the matter of appointments and the fixing of salaries, except the salaries of its own members and those of heads of departments. The fixing of salaries is an administrative duty which is specifically conferred upon the Board of Control, consisting of the mayor and the heads of departments.

Early in October of each year, the director of finance sends to the heads of the several departments the regular form blanks with the request that they prepare their estimates on these forms. The blanks are accompanied by a standard code of classification prepared by the finance department, and the several departments are requested to prepare their estimates on the basis of the classification. This insures uniformity of budget requests. These departmental estimates must be in the hands of the director of finance by November 1, when he proceeds with the preparation of the mayor's estimate.

The arrangement of the items in the mayor's estimate by the director of finance has led to a direct violation of the charter provisions. The charter distinctly provides that the board of control shall fix the salaries and compensation of all officers and employees, and the sections covering budgetary procedure purposely omit any suggestion which might give the council authority to fix in the appropriation ordinance the salaries of any officer or employee, except heads of departments and members of the division of police and fire. Yet the council committee in the public hearings on the appropriation ordinance has not only fixed definite salaries, but has considered the supposed efficiency or inefficiency of men in the administrative service. The director of finance is, in the main, responsible for this violation. Instead of following the directions laid down in the city charter, and arranging his code classification so that all appropriations for personal service would be made not in items but in lump sums, he provided in his classification of expenditures not only for the itemization in many cases of salaries under the heading "Supervision," but gave such salary items a number. This makes each such item a specific appropriation which the board of control has no power to increase, decrease or reappropriate without authority of council.

At the public hearings in January before the appropriations committee, councilmen who have not yet given up the practice of seeking to control the administration indirectly, tried to enforce their views by attacking certain of the supervision items. For example, when the question of the appropriations for the division of smoke abatement was under consideration, the chairman of the appropriations committee declared that the chief smoke inspector was not only inefficient, but that he was actually persecuting some of the councilman's constituents in an outlying ward, and for that reason he favored revising the salary item of the chief smoke inspector. The discussion continued for some time, and finally the mayor was compelled to appear before the committee to defend not only the salary item but to make clear to the committee that in his opinion the chief smoke inspector was an efficient officer and was enforcing properly the smoke abatement ordinances. This absurd procedure, of course, was wholly contrary to the clear intentions of the city charter, but the councilman gained his point, the appropriation was greatly reduced and, as a result, the chief smoke inspector resigned his position.

The same course was pursued in the division of public recreation, but the commissioner accepted the reduction and the council failed to secure his resignation.

The disposition of the council committee to meddle with the salaries of individual employees finally became so serious that the mayor asked for a joint meeting of the committee and the board of control in order to arrive at some working basis. The director of law and the mayor at this meeting explained fully the requirements of the city charter and the intention to take from the council the authority to fix salaries, but the director of finance expressed his disapproval of the plan laid down by the city charter, and urged that the appropriation ordinance be framed according to the plans laid down originally in the mayor's estimate. The conference ended without any change being made, the appropriation ordinance was passed in its original form, and thus by the mere arrangement of the items in the mayor's estimate, the council has used the appropriation ordinance as a cloak for interfering with the administration by fixing salaries, although specifically prohibited by the charter.

The fixing of salaries in the appropriation ordinance is not only contrary to the charter, but is contrary to the best practices in

budget making. It takes away from the administrative officer discretion and responsibility, reduces him to a position of dependence upon the council, and leaves the salary items so inflexible that changes which will tend to promote economy and efficiency in the administration cannot be made except by ordinance. The council must, of course, exercise the power of finally determining the amount of money available for the various divisions, but no legislative body can, in the hurry of passing the appropriation ordinance, anticipate all of the conditions which are likely to arise in the actual expenditure of the money. For that reason, the salary items should be in lump sum and not in detail. The schedule should, of course, contain all of the detailed information necessary to give the council a clear conception of the objects of the appropriations, but these need not be a part of the salary items in the appropriation ordinance.

The city has been in unusually straitened financial circumstances since the new charter was adopted, and the chief concern, both of the mayor and the city council, has been to keep the appropriations within the estimated income. The mayor's estimate cuts off a million or more from the departmental estimates, and then the council is forced either to reduce the estimate another million in the appropriation measure or to resort to short time loans. In spite of this pruning, the city's expenditures have exceeded its income by \$1,500,000 in the last two years.

It has been suggested that the charter be amended so as to limit the authority of the council in appropriations to the power to decrease but not to increase or otherwise change the items in the appropriation bill. This, of course, would prevent administrative interference or meddling with salaries, but it would so reduce the function of the council as to make it a governmental body of small importance. Moreover, the duty of making appropriations is essentially a function of the legislative body and belongs to the council. This is especially true in a form of government such as has been adopted in Cleveland, where the policy-determining function has been so fully divorced from the administrative.

The public hearings attending the preparation of the appropriation ordinance are especially illuminating. Each department presents its own needs. The director and his commissioners appear and explain in details the items in the departmental requests and compare the proposed expenditures with the preceding year's

expenditures and activities. A clear and convincing argument must be presented in order to avoid a cut by the committee. The only defect in these public hearings is the absence of an active and vigorous minority on the committee, intent upon probing deeply into the expenditures; but that is not the fault of the system.

On the whole, the budget procedure outlined in the Cleveland charter has worked out satisfactorily in practice with the one exception noted above.